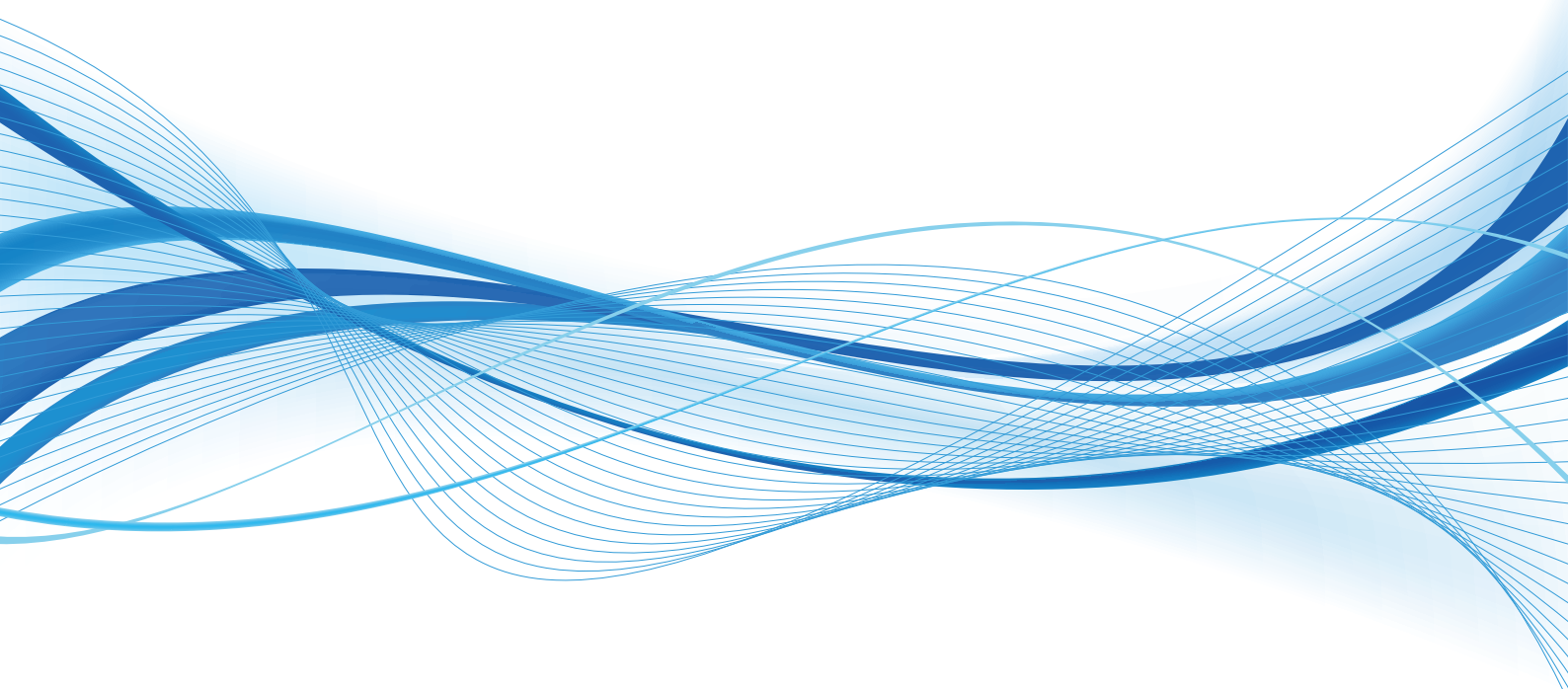
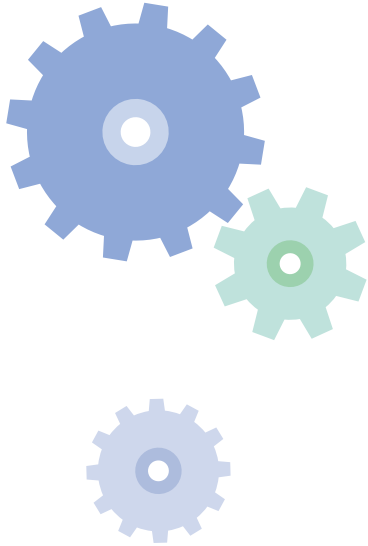




Muratec CSR Report 2015



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MURATEC CSR Report 2015

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Editorial Policies

The purpose of publishing this Muratec CSR Report 2015 is reporting our social responsibilities at Murata Machinery, as well as our performances through our CSR effort to our stakeholders. The information covers all our corporate business divisions.

This report describes, in sections arranged by the type of stakeholder such as environment, our customers, our suppliers and vendors, our employees and local communities.

In editing this report, our objectives have been to achieve "concrete explanations that are easy to understand" and "page layouts that are easy to read". Furthermore, we have established key performance indicators (KPIs) for our priority issues.

■ Boundaries/business divisions

Our company undertakes the development, manufacture and sales of textile machinery, logistics systems and factory automation systems, automated material handling systems (AMHS) for clean rooms, machine tools and communication equipment. This report covers our CSR efforts related to these business divisions.

■ Boundaries/organizations

We cover our main business places in Japan, as listed below. We have also included information about some of the activities of affiliated companies.

- Murata Machinery, Ltd.
Head Office (Kyoto), Inuyama Factory, Ise Factory

■ Time period

In principle, this report includes information corresponding to the period from April 2014 to March 2015. However, information about some activities that have continued from before this period has been reported. Activities that occurred closer to the date of publication have also been included.

■ Date published

August 2015: Made public on our corporate website
(July 2016: Next scheduled publication date)

■ Reference guidelines

- GRI Sustainability Reporting Guidelines (G4)

■ Contact for inquiries

Corporate Administration Department, CSR Group.
Murata Machinery, Ltd.
TEL: +81-75-672-8135 FAX: +81-75-681-8336
Email: csr@syd.muratec.co.jp

Company Profile

Company name	Murata Machinery, Ltd.	Number of employees	3,000 (6,700 in group) (as of April 2015)
Representative	President & CEO Daisuke Murata	Net sales (non-consolidated)	¥164.2 billion yen
Established	July 1935	(consolidated)	¥221.8 billion yen (fiscal year ending March 2015)
Capital	¥900 million yen	Head Office	136 Takeda Mukaishiro-cho, Fushimi-ku, Kyoto 612-8686 Japan
Products	Manufacture and sales of textile machinery, logistics systems and factory automation systems, AMHS for clean rooms, machine tools and communication equipment		

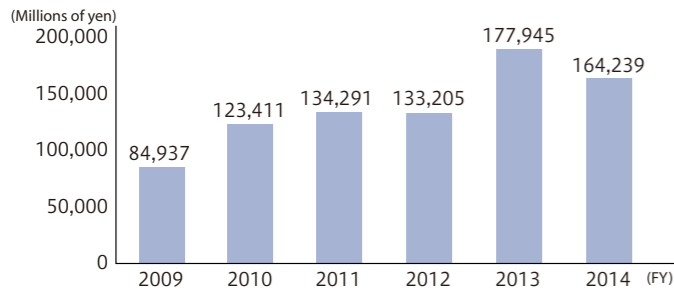
Business Divisions

Muratec Machinery is a comprehensive manufacturer of factory and office automation products. We seek to satisfy our customers and promote the realization of a more affluent society by constantly creating new technologies and providing products and services. We are focused on the five main areas of textile machinery, logistics systems and factory automation systems, AMHS for clean rooms, machine tools and communication equipment. In these, we exercise our technological expertise to develop a wide variety of products. Our efforts have even earned high evaluations internationally.



Financial Results

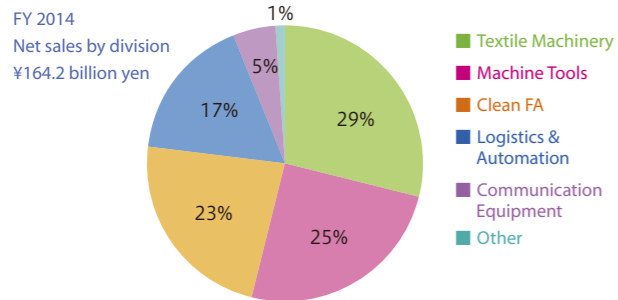
Net sales record (non-consolidated)



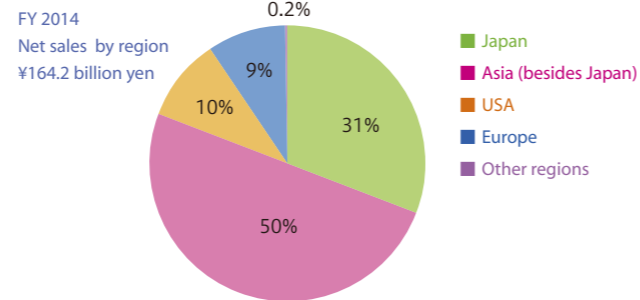
Operating profit record (non-consolidated)



Net sales composition by division (non-consolidated)



Net sales composition by region (non-consolidated)



Global Network

We want to improve the lives of people around the world through the creation of products.

At Murata Machinery, we seek opportunities to do this and expand our business across the globe.



Head Office (Kyoto)



MURATA MACHINERY USA



MURATEC AMERICA



MURATA MACHINERY EUROPE



MURATA MACHINERY SHANGHAI



MURATA DO BRASIL



To Remain a Company Needed by Society

Muratec will promote CSR activities by conducting its businesses in line with its corporate philosophy.

Muratec is the manufacturer of a wide-range of machinery, from industrial machines to communication equipment, assisting the value creation of our customers. Based on a philosophy of "Letting machines do what machines can do and letting humans do what only humans can do," Muratec has long provided its customers with "human-friendly technologies." Through our high expertise, solid technological capabilities, and innovation, we have translated this philosophy into products and services which respond to the needs of the times and society, thereby establishing ourselves in the area of industrial automation and labor saving. The activities that we have long engaged in show how we can contribute to society with products and services in our main business areas; namely how we can fulfill our corporate social responsibility (CSR).

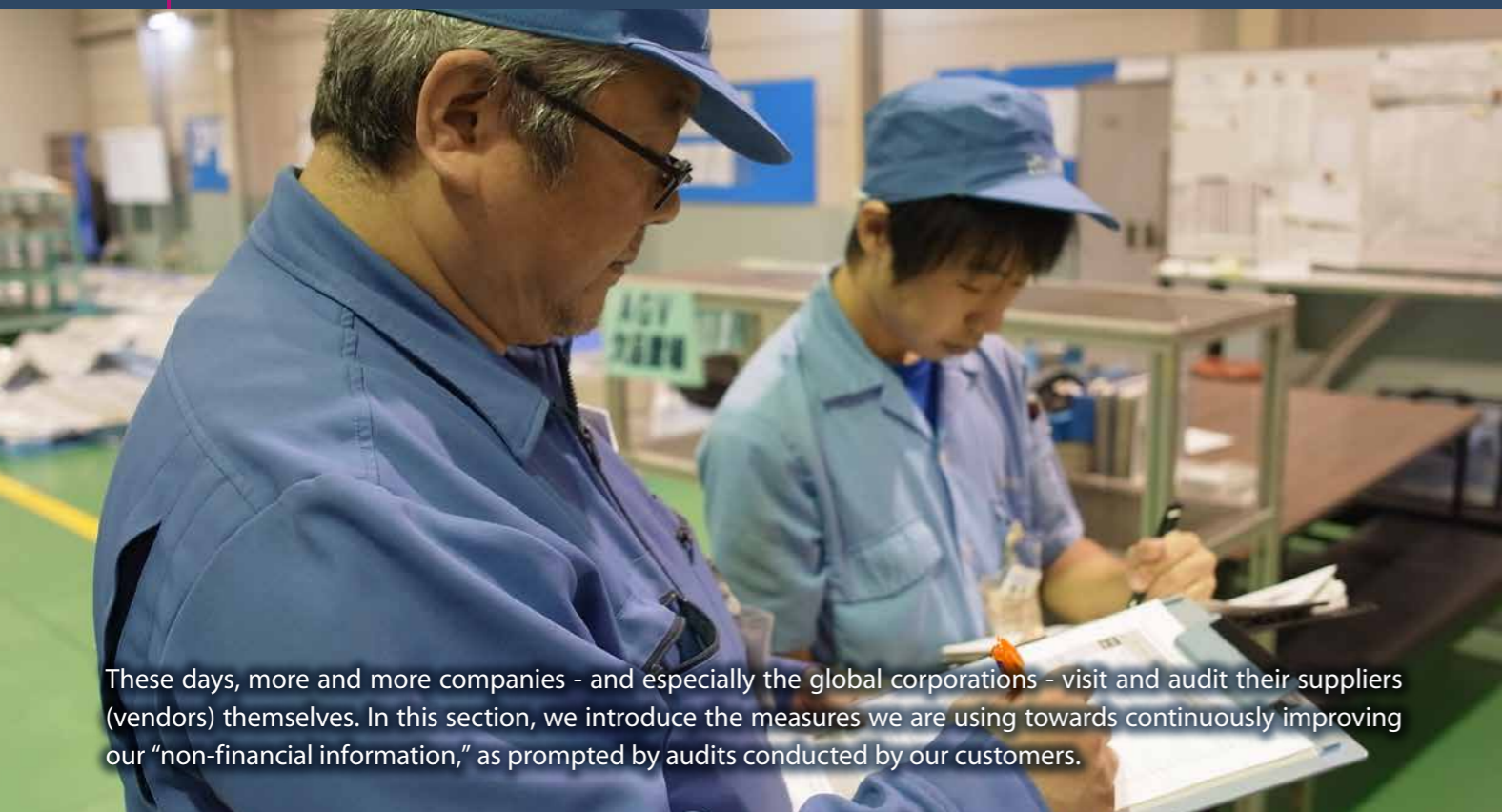
In FY 2014, thanks to the favorable economic environment, we have enjoyed some of the fruits of our efforts over the years. This has allowed us to concentrate on our main business areas as a business machine supplier, and we have been most effective in addressing market trends. Meanwhile, having entered the second half of our Five-Year Plan with its three objectives to achieve quality, innovation, and internationalization, we have restructured and reestablished our organization to become a company that is more adaptable to changes in the business environment. To achieve and maintain our competitiveness, those with leading roles within our company have been able to successfully adopt a new mindset and increase their commitment to creation. Their efforts are gradually producing results.

This year marks the 80th anniversary of Muratec's foundation. At this juncture, we will review and reconfirm once again the roles we should be playing for our customers across various industries and how we can significantly increase internal productivity. At the same time, we will apply objective criteria to measure our current status and determine the direction and results of our efforts. Today, in our global supply chains it is important for us to take specific measures directed both within and outside Muratec. Externally, we must be ever-mindful of the universal values and standards we should achieve. Internally, we must think globally and re-examine what companies require in their supply chains to comply with universal values and standards. In this context, it is important for each individual, team, group, and company unit to reassess and, where necessary, take specific measures to ensure occupational safety and health, maintain high ethical standards and protect human rights. The 'scores' achieved through these measures are simply numerical results. If we are to seriously move up a step from where we are, we should determine the difference between our current status and where we want to be in terms of how we can improve our scores. This involves a continuous process of tracking and recording our activities over time, both objectively and transparently, which can be used to guide us to further improvement.

Muratec's logo represents various human-machine links, namely a link between engineers and prototypes, a link between factory workers and products, a link between servicing staff and the machines being used by our customers, and a link between customers and Muratec machines. In all these settings, our efforts toward further automation and labor saving will center on technologies that connect people to machines, machines to machines, and people to people. To remain a company needed by society, we are determined to cherish and deepen a relationship of trust with all members of society, thereby contributing to the creation of an even more affluent society.

Toward a Company That Will Achieve 100 Years in Business

Resolving challenges and enhancing organizational sustainability through continuous improvement of “non-financial information measures”



These days, more and more companies - and especially the global corporations - visit and audit their suppliers (vendors) themselves. In this section, we introduce the measures we are using towards continuously improving our “non-financial information,” as prompted by audits conducted by our customers.

Some challenges we face, as identified by customer audits.

Until recently, third-party auditing has mainly involved accounts-related audits (performed by accountants) and ISO-related assessments (for ISO maintenance and renewal). These days, however, it is becoming more common for companies, and particularly for major global firms, to visit their suppliers by themselves and audit other aspects of the suppliers business that support their own organizational sustainability. Such audits focus on, among other things, occupational safety and health (*1) and the readiness of a business continuity planning (BCP) system in the event that the organization faces an emergency of some kind.

The nature and of the factors assessed during this kind of audit are difficult to see from both outside and inside the company.

Nevertheless, in today’s global society, these barely visible factors can be vitally important for their potential impact on a company’s sustainability. They are referred to as “non-financial information.”

During the non-financial information audits performed by our customers, we have been grateful to receive some valuable feedback and a variety of comments. For example, in relation to occupational safety and health (mentioned above), our customers identified that; “While rules are indeed in place, the company is only instructing its workers to follow the rules. More needs to be done to check if following the rules is routine practice on the workplace”; and “While workers are conducting occupational safety and health inspections, it has not been verified how such workplace patrols are contributing to increased safety. (In other words, there do not appear to be any criteria for measuring their effects and, even if such criteria are in place, they are not being applied properly.)”. We have also heard that, “Rules concerning the handling of chemicals and other processes vary from one factory to another.”

*1: The Clean FA Division and L&A Division have been granted OHSAS18001 certification. OHSAS18001 is an international standard relating to occupational safety and health management. Our two divisions are sincerely implementing these standards and regularly receive third-party examination by the relevant authorities to maintain our certified status.

Challenges identified through auditing (Example: Safety and health)

1. The Company only asks workers to follow the rules, without checking if observing these rules has become routine on the workplace.
2. There are no criteria for measuring the effectiveness of the procedures. Even if such criteria are in place, they are not being used.
3. Rules concerning work processes vary from one factory to another

Our goal is not only to address the challenges identified but also to install (and instill) a company-wide “Management Approach” for continuous improvement.

In the limited period of time before re-auditing, the biggest challenge facing us has been how to deliver results, translated from the problems shown to us by the audit into specific workplace improvements. The audit results have also driven home to management that the time is ripe for measures that will bring long-term solutions to certain issues. So we have started a new project in the L/C Manufacturing Department(*2) that is now operating within both the Inuyama Factory and Ise Factory. To get the project started, we emphasized the need to; (1) Communicate clear instructions from top management, (2) Establish an organizational structure to tackle the issue, and (3)

*2: L/C Manufacturing Department is a common manufacturing section, which takes a role as a production center for both L&A Division and Clean FA Division.

Establish a system for continuing improvement measures that will lead to lasting results. In particular, regarding this last point, introducing a system for “continuing improvement measures”, is an entirely new initiative for our occupational safety and health activities. What this involves, specifically, is the standardization of our procedures and the creation of criteria that can measure their performances.

To that end, we have established a system that we call our “Daily Audit.” Under this program, auditors patrol their workplaces for about 15 minutes every day, checking workplace safety with a standardized check-sheet. They then score the safety points and share the results on the company’s intranet. It is a very simple procedure but, by quantifying results numerically, it does help to clearly show the need for specific workplace improvements. The daily audit reveals patterns and tendencies as clues for general improvements. By continuously making improvements as guided by these measures, we will be able to improve daily audit scores. The best part of this program is that it makes the results of our efforts visible and transparent. The improved audit scores have proved to us that we do now have better safety status as well as a stronger commitment to keeping our workplaces clean and tidy. We have also documented the implementation procedures, which we make a rule of reviewing at least once a year.

Enhancing Workplace Safety by Daily Audit

Until now, we have carried out regular safety patrols throughout our workspace. However, this was the first time that we have made a patrol every day and recorded the results as a visible score. To be honest, at the start, we had a hard time getting used to it. But now, we make the checks with high efficiency as part of our daily routine.

Since implementing this program was originally a top-down decision, we had no choice but to carry it out. When the Daily Audit first started, the head of the manufacturing department himself reminded us about the importance of occupational safety and health. He made sure we could secure a time for the audit and this helped us a lot. Now, because we have continued with our audit every day, we feel a determination to always keep our workplace safe for all.



L/C Manufacturing Department
Assembling management group
(Inuyama)
Masahiro Kawaguchi

Encouraging individual employees to think for themselves through more visible activities and results.

Inspired by this successful campaign taken by the L/C Manufacturing Department for safety, management instructed us to adopt the same approach to other areas where the effects may not be clearly visible. So, in addition to occupational safety and health, we decided to prioritize improving the problem of long working hours and BCP development. We appointed an owner (responsible person) for each issue, and formed their respective vision goals. Then we drafted a plan and timetable to achieve improvements in each area. During implementation, we regularly reported the status of our progress to management. We also established a board for reporting progress and results based on quantitative criteria.

For example, with regard to occupational safety and health, we implemented a “5S daily audit for offices” using the same method adopted by the L/C Manufacturing Department (described above). To counter the problem of excessive working hours and ensure more appropriate day lengths, we carry out monitoring and take steps in response to the results we find. In taking these steps, we should keep in mind that our goal is not solely about improving figures and numbers. Rather we should use this data to acknowledge and resolve the root, underlying, causes.

For example, with regard to the 5S Daily Audit for Offices, we should not simply order our people to follow the new rule because the company management deems it necessary. Rather, we should make sure that the individuals in charge of the audit and the workers are speaking to one another face-to-face and sharing each other’s views on the meaning and value of 5S. It is only from that point that we can take specific steps to improve. We also need opportunities to verify our daily scores and discuss what remedial actions to take for further improvement (*3).

The goal of these programs is not simply finding and correcting problems. The true meaning of these programs is to motivate individual employees to ask themselves, “How can I make our workplace safer?” “How can I create a more comfortable workplace?” and “How can we make our working hours decent?”. Similarly, we need to create an environment within which both workers and managers think together towards solving the challenges identified.



*3 Discussion with employees (Theme: “Why is 5S important?”)

We need to adapt to change

By developing a mechanism to implement and review the results of our improvement activities, we are now able to better see the effects of our efforts, which were previously almost invisible, even to those inside the organization. The end result is that we can now identify where problems lie. Not only can we detect numerous problems previously hidden, but we now know where to start in order to fix them, and how far we can realistically address particular issues in the present. Auditing has laid the groundwork to allow such management approach and processes to take hold within the company. By moving with this continuous improvement cycle, we not only strengthen our products but also our organizational foundation. Ultimately we are enhancing our long-term sustainability. This year marks Muratec’s 80th anniversary and, as we achieve this impressive milestone, we must be mindful that, in order to remain a company essential to society for many years to come, we must take flexible and proactive measures that allow us to adapt to the ever-changing business environment.

Development and utilization of management approach supports an organization’s improvement activities



CFA General Administration,
General Affairs at Ise Plant
Katsuyoshi Ono

It is natural for people see the results, or outputs, from a company’s operational activities and programs, without any sense of the management approach that drive them. However, when we start something new or change something, we have to focus on the management approach. That is a focus we need more than ever. If we can develop an attitude to create or change the management approach, instead of criticizing the output of an existing system,

we will be able to promote change for the better in both companies and other organizations. In the years to come, we will continue promoting the development of management approach at the Ise Factory. At the same time, it is our hope that Head Office will actively lead the entire Muratec group in such efforts.

To continue functioning as an entity that serves the whole society

Corporate Philosophy

We shall strive to expand the boundaries of technological advancement, provide meaningful products that enrich the lives of our customers, bring prosperity to each of our employees and lead society to a better tomorrow.

The former part of our Corporate Philosophy describes our means and the latter our missions.

Our two missions, namely “the happiness of our employees” and “affluent society,” are inseparable.

The happiness of each member enriches society.

What makes people happy is a sense of contributing to the prosperity of society.

The activities described in the earlier part of our Corporate Philosophy are a means of ensuring the prosperity of society. These are inseparable from our mission. We must note, therefore, that the end does not always justify the means.

Neither is there any guarantee that the right means will invariably lead to the accomplishment of our mission.

We must continually monitor ourselves to ensure that our mission is achieved by the right means and our means serves its purpose. In other words, our social responsibility is constantly to make sure that the former part of our Corporate Philosophy is properly in line with its latter part.

Our Social Responsibility

Corporations are economic entities that pursue profits through fair competition. This definition, however, does not properly describe the significance of our existence. Our ultimate mission is not to pursue profits but to be of benefit to society at large.

Our corporate philosophy expresses a strong belief and desire to achieve this mission. However, the causal link between corporate activity and social contribution presented in our corporate philosophy is not a law of nature or a self evident truth; it is just a hypothesis.

Our social responsibility is to continually prove this hypothesis with all of the zeal and ability that we possess.

MURATEC and its stakeholders



What makes MURATEC’s corporate activities possible is the relationship of trust between its various stakeholders—customers, suppliers and vendors, employees and their families, global environment, and local communities—as well as with society as a whole.

In order to continue functioning as an entity trusted and needed by all our stakeholders, we will endeavor to justify their confidence in us, expectations and requests from society through our corporate activities.

**CSR stands for “Corporate Social Responsibility.”

Muratec Code of Conduct

1 Products and services

We will develop and offer products and services useful to society, with sufficient care to safety and the protection of personal information.

2 Business transactions

We will respect the rights of our Company as well as that of other companies including intellectual property rights, and engage in fair, transparent, and free competition and due transactions. Moreover, we will maintain sound and normal relations with political bodies and governmental organizations.

3 Information disclosure

We will engage in broad communication with society and disclose our corporate information in a timely and appropriate manner.

4 Personnel, labor management and workplace environment

We will respect our employees’ diversity, character, and individuality and secure a safe and employee-friendly workplace environment.

5 Environmental issues

We will actively engage in environmental issues in our corporate activities as well as through our products and services.

6 Social contribution activities

We will actively engage in social contribution activities as a “good corporate citizen.”

7 No connections to anti-social elements

We will not engage in activities that benefit anti-social groups and organization that may threaten the order and safety of civil society.

CSR Management (Targets/ Plans and Performances)

FY 2014 Performances and FY 2015 Targets/ Plans of Muratec CSR issues

“To continue functioning as an entity that serves the whole society” This is our ultimate mission.
We will endeavor to justify our stakeholders’ confidence in us, expectations and requests from society by conducting our businesses in line with our corporate philosophy, in order to provide solutions to social issues

Muratec priority CSR issues  : Utilizing Management Approach

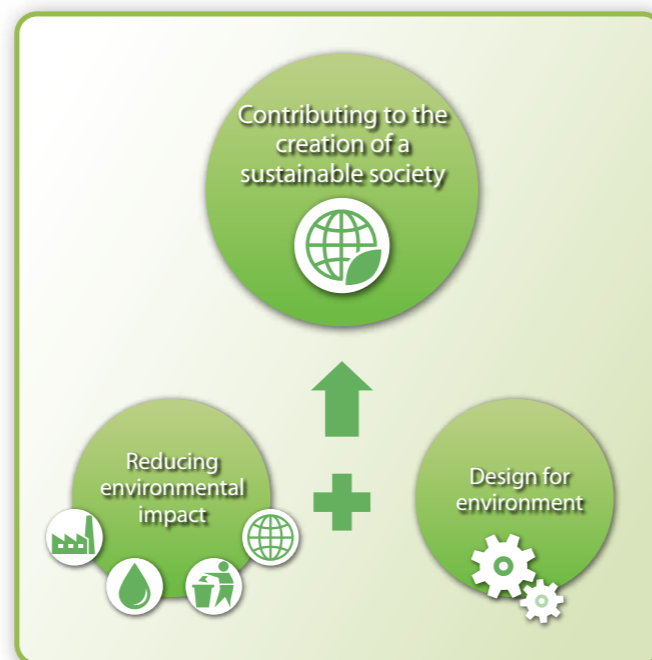
Stakeholders	Initiative themes	FY 2014 Targets/ Plans	FY 2014 Performances	Evaluation	FY 2015 Targets/ Plans
 Environment	Operation of environmental management system 	<ul style="list-style-type: none"> Continue maintaining an ISO 14001 management systems and endeavor to reduce environmental impacts 	<ul style="list-style-type: none"> To strengthen the governance of environmental activity, integrated ISO 14001 environmental management systems in both Kyoto and Inuyama sites in a unified system 	○	<ul style="list-style-type: none"> Implement educations to spread awareness of Environment to all employees Prepare for the revision of the ISO14001
	Reduce environmental footprint of our operations	<ul style="list-style-type: none"> Reduce CO₂ emissions (per unit production) by 15% from the 2010 level (by 2020) Reduce water consumptions (per unit production) by 5% from the 2010 level (by 2020) Reduce waste emissions (per unit production) by 5% from the 2010 level (by 2020) Reduce VOC emissions (per unit production) by 10% from the 2010 level (by 2020) 	<ul style="list-style-type: none"> CO₂ emissions (per unit production) were reduced by 20% from the 2010 level Water consumptions (per unit production) were increased by 10% from the 2010 level Waste emissions (per unit production) were increased by 45% from the 2010 level VOC emissions (per unit production) were the same level as the 2010 level 	○ × × —	<ul style="list-style-type: none"> Reduce CO₂ emissions (per unit production) by 15% from the 2010 level (by 2020) Reduce water consumptions (per unit production) by 5% from the 2010 level (by 2020) Reduce waste emissions (per unit production) by 5% from the 2010 level (by 2020) Reduce VOC emissions (per unit production) by 10% from the 2010 level (by 2020)
	Develop and offer products with less environmental impact	<ul style="list-style-type: none"> Develop and offer products with less environmental impact 	<ul style="list-style-type: none"> Developed and offered products with less environmental impact based on each division's target 	○	<ul style="list-style-type: none"> Set a numeric target for eco-friendly products
 Customers	Maintaining and improving of quality management system	<ul style="list-style-type: none"> Continue maintaining an ISO 9001 management systems and endeavor to improve quality 	<ul style="list-style-type: none"> Maintained and improved the ISO19001 management systems in every division 	○	<ul style="list-style-type: none"> Prepare for the revision of the ISO9001
	Improving quality	<ul style="list-style-type: none"> Continue strengthening our manufacturing quality through education and training 	<ul style="list-style-type: none"> Continued providing training on quality improvement at the Quality Discipline Dojo (School of Manufacturing) at each factory Provided education on “Product Creation Standards” through e-learning classes 	○	<ul style="list-style-type: none"> Further improve the drawing quality, continue providing a training on “Product Creation Standards” and brush up the contents of the training
	Improving customer satisfaction and providing total solutions	<ul style="list-style-type: none"> Ensure the timely delivery of products and parts Develop and offer products that contribute to resolution of social issues 	<ul style="list-style-type: none"> Verified the rate of on-time delivery regarding products, and maintained quality and recover production in minimum losses when risks occurred in Clean FA Division Continued developing and offering products that contribute to resolution of social issues in every division 	○	<ul style="list-style-type: none"> Verify the rate of on-time delivery of products in all division Continue developing and offering products that contribute to resolution of social issues
 Suppliers and vendors	Dedication to transparent and fair transactions	<ul style="list-style-type: none"> Continue implementing education related to transparent and fair transactions 	<ul style="list-style-type: none"> Continued systematizing the certification of factory auditors as of personal cultivation for our procurement sections 	○	<ul style="list-style-type: none"> Continue systematizing the certification of factory auditors as of personal cultivation
	CSR Promotion in the supply chain (consideration for human rights, labor practices and the environment)	<ul style="list-style-type: none"> Conduct survey of business partners to check the status of CSR activities 	<ul style="list-style-type: none"> Conducted survey of business partners to check the level of Environmental activities 	△	<ul style="list-style-type: none"> Conduct survey of key business partners to check the status of CSR procurement (including human rights and labor)
 Employees	Career Growth and Development	<ul style="list-style-type: none"> Implement measures to raise competitiveness through improvements of workplace culture Ensure feedback interviews between superiors and subordinates (KPIs : Implementation rate of feedback interview) Continue implementing a variety of programs for global career growth 	<ul style="list-style-type: none"> Based on hearings with employees, reviewed our personnel system and began new personnel system in April, 2015 Implementation rate of feedback interview was 94.5%. The Average Satisfaction Score by subordinates was 4.06 out of 5.0 points Continued Short-term (3 months) Overseas Training Program and 11 employees participated in the program in FY2014 (Total 45 employees) 	○ ○ ○	<ul style="list-style-type: none"> To deepen the understanding of new personnel system and its implementation through maintaining open communication with employees and conducting questionnaire Implement initiatives to improve the Average Satisfaction Score by subordinates on the feedback interview Expand the Mid-term (5 months) Overseas Training Program to candidates for management position in overseas bases
	Promoting the Work-life Balance 	<ul style="list-style-type: none"> Ensuring proper management of working hours responsive to individual circumstances performances 	<ul style="list-style-type: none"> To ensure proper management of working hours, reviewed flex-time work system and began new system from April, 2015 	△	<ul style="list-style-type: none"> To ensure proper management of working hours, introduce a time clock system at every factory
	Diversity and Inclusion*	<ul style="list-style-type: none"> Increase the number of female managers Supporting veterans initiatives 	<ul style="list-style-type: none"> Increased the number of female managers from 28 (FY2013) to 30 (FY2014) Established consultation desk on career development and life planning for veterans 	○	<ul style="list-style-type: none"> Continue developing a workplace culture that enables active participation by women and veterans
	Employee Safety 	<ul style="list-style-type: none"> Preventing the recurrence of occupational accidents (KPIs : Frequency rate) Maintain safety in manufacturing workplace (KPIs : Rate of compliance through EHS Daily Audits) Maintain and promote employee health (KPIs : Ratio of employees with health warning signs) Reduce the number of traffic accidents 	<ul style="list-style-type: none"> 1 Lost-time injuries , 9 Non Lost-time injuries occurred (Frequency rates of 0.15) Conducted 5S Daily Audit at Head office and Ise factory Continued EHS Daily Audit in L/C Manufacturing Department since 2013 Conducted mental health seminars at Inuyama and Ise factory (targeting L&A Division/Clean FA Division) and Head office, drawing an attendance of some 571 employees 10 traffic accidents by company-owned car, 11 traffic accidents by privately-owned car occurred 	△ ○ ○ ×	<ul style="list-style-type: none"> To achieve zero Lost-time injuries, implement educations and e-learning to spread awareness of occupational health and safety to all employees To achieve zero work-related injuries, expand the EHS Daily Audit in every division To maintain and promote employee health, provide education on occupational health and safety To achieve zero traffic accidents, provide education on traffic safety
 Local communities	Inspiring the next generation	<ul style="list-style-type: none"> Continue committing to applying technology and the talents of our employees to inspire the next generation 	<ul style="list-style-type: none"> Committed to applying technology and the talents of our employees to inspire the next generation at each factory 	○	<ul style="list-style-type: none"> Continue committing to applying technology and the talents of our employees to inspire the next generation
	Cultural and educational support and sports promotion efforts through communication	<ul style="list-style-type: none"> Continue providing cultural and educational support and sports promotion efforts 	<ul style="list-style-type: none"> Provided cultural and educational support and sports promotion efforts at each factory 	○	<ul style="list-style-type: none"> Continue providing cultural and educational support and sports promotion efforts
 Corporate Governance	Maintain ethical standards	<ul style="list-style-type: none"> Continue implementing level-based education or e-learning on “compliance” and “Respect for ethics and human rights”. 	<ul style="list-style-type: none"> Provided education on CSR Seminar targeting managerial-class employees (61 participants), Business Risk Seminar (104 participants), and held e-learning seminars on Harassment prevention (undertaken by 96% in FY2014) 	○	<ul style="list-style-type: none"> Continue providing level-based compliance education and holding e-learning seminars
	Strengthen risk management systems 	<ul style="list-style-type: none"> Specify key business partners and evaluate quantitatively their BCP systems Continue training and education on BCP Specify the critical file servers data and backup those data in preparation for disasters and other risks 	<ul style="list-style-type: none"> Conducted survey of key business partners to check the level of BCP Provided e-Learning classes to the employees in Inuyama and Ise factories (undertaken by 90%), and introduced BCP at head office Achieved over 99% of backup rate for critical file servers data 	△ △ △	<ul style="list-style-type: none"> Promote and improve the degree of our BCP implementation level Promote and spread awareness of BCP to all employees through education and training Introduce system to verify employees’ safety in emergencies at all factory

* Diversity and Inclusion: It means respect for and appreciation of differences among employees in terms of gender, age, national origin, cultural background and values for the purpose of creating a working environment in which diverse workforce can be playing an active role.

At Murata Machinery, we are contributing to the realization of a sustainable society by innovating to create products that are better for the environment and by reducing the environmental impact of our business activities.

As a company developing on a global scale, we are acutely aware that it is our social responsibility to contribute to realizing a sustainable society. We are doing so by employing management practices that are good for the environment. Also, through greener products and business activities, we aim to achieve harmony between our existence and the environment around us. Ultimately, we wish to preserve this precious planet for the next generation and, in so doing, continue as a manufacturer that is of value to society.

- Creating products that are kind to the environment and effective in energy conservation through innovation
 - Improving environmental performance in products throughout their lifecycles
 - Developing high performance products in terms of both energy efficiency and user-friendliness
 - Contributing to a reduction in society's overall environmental impact by providing and popularizing green products
- Reducing the environmental impact of our business activities
 - Being continuous in our efforts by operating environmental management systems



◆ Environmental Policy ◆

Environmental Philosophy and Policy

In June 2013, we established the 'Muratec Environmental Philosophy and Policy' to provide a clear direction for our environmental management. These statements are the foundations for all our environmental efforts.

Muratec Environmental Philosophy

We recognize that environmental and resource-related issues pose a serious threat to society's prosperity. So we are fully committed to helping resolve these issues through both the products we make and the conduct of our business.

Muratec Environmental Policy

We realize our environmental principles through action. To contribute to realizing a more sustainable society, we conduct environmental conservation worldwide in accordance with the following environmental guidelines. We do so in all of our business fields, from industrial machinery to communication equipment.

1. Reducing the environmental impact in our operations
2. Supplying environmental friendly products
3. Complying with legal and other requirements
4. Setting environmental goals and improving sustainability
5. Disclosing environmental information
6. Raising environmental awareness

◆ Reducing Environmental Impact ◆

Target toward 2020

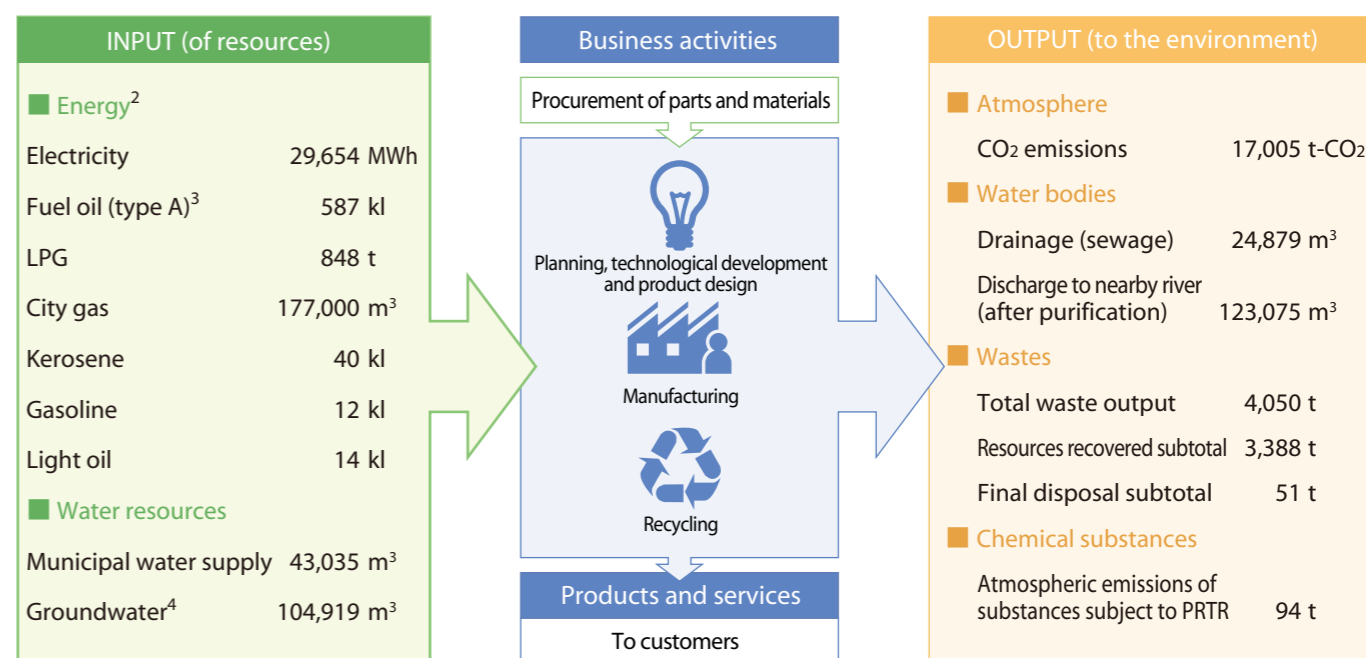
To achieve our Environmental Philosophy and Policy, we have set targets toward 2020 that provide clear direction in our environmental management. In practice, so as to tackle the four environmental objectives (themes) listed below, each reduction goal is set numerically and the respective environmental loads are controlled.

Objectives (Themes)	Key performance indicators	Target toward 2020	Per unit production denominator
Preventing global warming	CO ₂ emissions (per unit production) ¹	15% reduction from 2010 levels	Head Office: Per unit of total person-day Inuyama/Ise Factory: Per unit of production value
Sustainable use of water resources	Water usage (per unit production) ¹	5% reduction from 2010 levels	Per unit of total person-day activity
Contributing to a recycling-oriented society	Waste generated (per unit production) ¹	5% reduction from 2010 levels	Head Office: Per unit of total person-day activity Inuyama/Ise Factory: Per unit of production value
Management of chemical risks at workplaces (Inuyama Factory)	VOC emissions (per unit production) ¹	10% reduction from 2010 levels	Inuyama Factory: Per unit of production value

¹ The "per-unit" is an expression of the environmental impacts caused per unit of production value or employee activity.

Materials flow

The following materials flow chart shows our input and consumption of resources (volume of raw materials we use) and our outputs into the environment, and waste. If we are to help realize a sustainable society by achieving our mid-and-long term targets, we need an understanding of the flow for each resource. This helps us better manage the input / output balance and encourages a cyclical system of materials usage.



² The amount of input energy is a total of the energy used at our Head Office and Inuyama and Ise factories, exclusive of transport-related energy used in product shipping, sales, and maintenance. (However, the amount of fuel usage for the following purposes is included: work and conveyance vehicles within workplaces, company vehicles for uses other than those above.)

³ At our Inuyama Factory, we use fuel oil (type A) to generate our own power. We have our own electrical power facility that runs on fuel oil (type A) at our Inuyama factory. The amount of CO₂ emissions from the in-house power generation process is estimated based on the consumption of fuel oil (type A) during electricity generation.

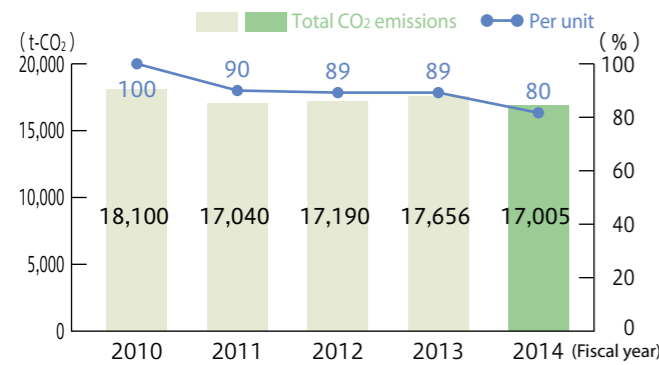
⁴ The water resources used at our Inuyama and Ise factories include both municipal water supply and groundwater. In aggregating the amount of water used, since it is difficult to directly determine the distribution and usage conditions within each location, the usage record has been estimated proportionally.

Environmental impact

Preventing global warming

Our total output volumes (emissions, etc.) from use of electricity and other fuel energy, have shown a consistently declining trend, and in 2014 we achieved further reductions. The per-unit output level was down by 9% compared to the previous year. Emissions were down by 17% at the Ise Factory and 4% at the Inuyama Factory compared to fiscal 2013. We aim to maintain this positive downward trend as well as improving in other ways.

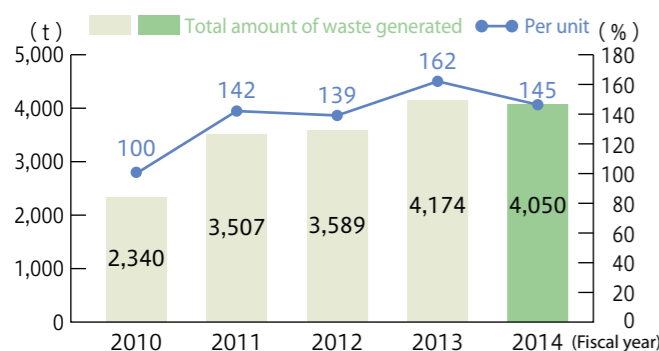
Trend in CO₂ Emissions



Contributing to a recycling-oriented society

Since the year 2010, which is our benchmark 'standard' year, total waste generated from our Inuyama and Ise factories had been increasing due to equipment renewals and the introduction of new production facilities. Last year, however, waste outputs decreased, with the total amount reduced by 3% and per-unit levels down by 17%. Looking at the factories individually, at Inuyama waste generation were down by 3% compared to the previous fiscal year despite the equipment renewals still being in progress. At Ise Factory, where waste generation had increased each year up to 2013, these stabilized down to standard levels. On the other hand Head Office outputs saw an increase.

Trend in waste discharged



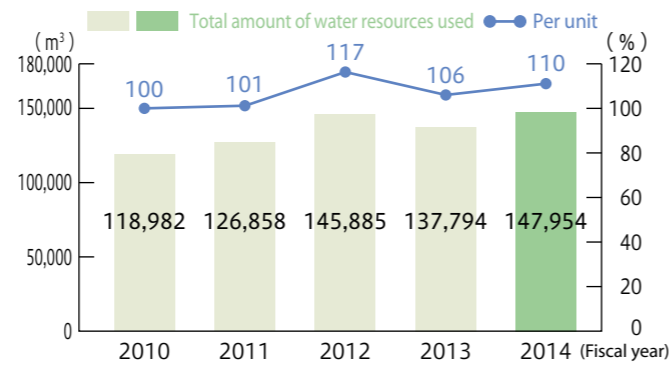
¹ The Pollutant Release and Transfer Register (PRTR) system, as based on Japanese Law for PRTR and Promotion of Chemical Management, requires the reporting of emission amounts that enter the environment and the transfers between industry locations of certain chemicals hazardous to human health and ecosystems.

Level of attainment:
 Achieved target 😊 Slight gap between target and achievement 😐 Large gap between target and achievement 😞

Sustainable use of water resources

The input resources we consumed, which had previously shown a downward trend, increased a little last year, in terms of per-unit input – up by 4% over 2013, and while consumption levels at Head Office remained the same as last year there was a 13% rise at our Inuyama factory where production processes are centered. There was also a report of some water leakage at Head Office caused by old water pipes, so we will be aiming to save water both by being careful in our daily operations and by making facility repairs.

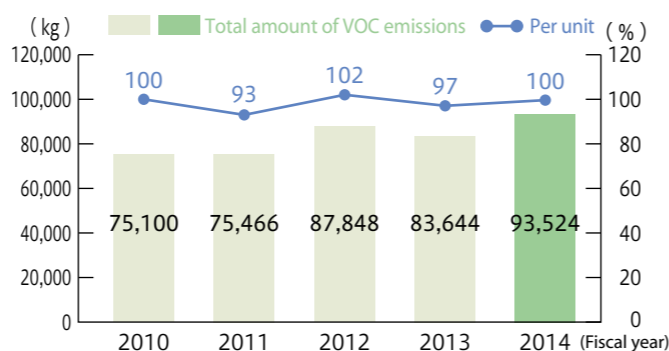
Trend in water resource use



Management of Chemical Risks in Workplaces

At our Inuyama factory, we use a solvent paint process and handle chemicals which are subject to PRTR protocols¹ for correct management. Due to a number of measures taken until last year, per-unit emission outputs did achieve improvements. These measures included changing over to materials requiring less PRTR, better coating efficiencies (by introducing electrostatic painting technologies), replacing coating supply pumps, and reducing the number of cleaning times (required for individual colors). However, due to production increases since last autumn, the per-unit emissions of volatile organic compounds (VOC) increased 3% over 2013. We shall continue to make efforts to decrease our emissions.

Trend in Atmospheric VOC Emissions (Inuyama Factory)



Design for the Environment

Efforts related to products with less environmental impact

In order to contribute to the realization of a sustainable society, we believe that popularizing products that are more considerate of the environment is important. For this reason, we are making efforts toward the realization of improved product environmental performance, primarily in the following fields.

- Promoting design that conserves energy
 - Design that conserves energy (promoting the adoption of devices that conserve electric power)
 - Conforming to standards for product energy efficiency
- Promoting 3R design²
 - Recyclability of products at time of disposal
 - Designs that consider easy later disassembly
- Management of products that contain chemicals
 - Appropriate management of products that contain chemicals
 - Confirming compliance with the RoHS directive³ and other chemical laws and regulations

² 3R design is an approach that considers reduction, reuse and recycling (of materials) in the design of products.

³ The RoHS directive is a European Union (EU) directive that includes restrictions on the use of six specific harmful substances in electrical and electronic devices. It was put into effect in July 2006

Develop products with less environmental impact

The research and development teams at each of our factories and offices continuously investigate product life cycles in totality, scrutinizing every stage from product design and development, manufacturing, through to deployment and eventual disposal. In all of these areas we are working to reduce the stress on the environment. By providing products designed with consideration for environmental protection and balance, we also aim to help our customers reduce their own energy consumption and load on the environment when they use our products.

Some examples of products with less environmental impact.

A3 Monochrome Digital Multifunction Printer MFX-2355/MFX-1855



Electricity consumption compared to previous models
Approx. 20% reduced

Compliance to environmental standard and authorization



Expand action for the environment into a company-wide mission

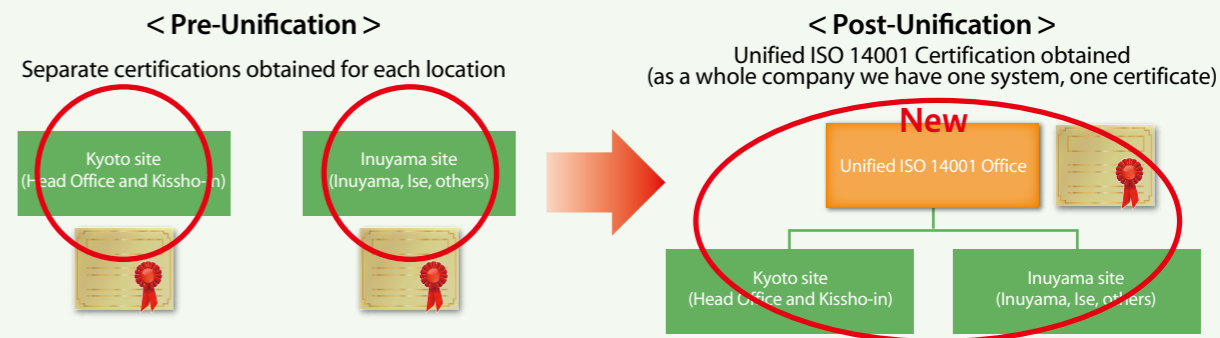
First, unify the ISO14001 credentials of the Kyoto (Head Office) and Inuyama sites

We have maintained our ISO14001 Certification at the following Muratec locations; at the Kyoto site (which covers Head Office and Kissho-in Factory), at the Inuyama site (which covers the Inuyama Factory, Ise Factory and multiple other bases), at the Shiga MMC Factory of Muratec Mechatronics (one of our group companies), and at the Oita MMC Factory. Environment-friendly action has made progress at all these locations.

These days we are expected that our business operation is considering global environmental issues such as global warming and taking step forward to develop further environmentally conscious products in each business division.

To effectively promote environment activities from the unified perspective as a company, in December 2014 we obtained a unified environmental authorization for our Kyoto and Inuyama sites (issued with a "Unified ISO 14001 Certificate" in April 2015).

Following this certification, a 'Unified ISO 14001 Office' has been set up in Head Office. From now on this office will work to eliminate the differences between sites, share information on environment related legislation and ordinances etc., and by promoting cross-sectional activities, will serve an administrative role in environmental management system operations.



At Murata Machinery, we seek to increase customer satisfaction by improving the quality of our products and services and by responding rapidly to quality issues.

Through our business activities, we seek to contribute to the creation of a more affluent society by assisting in customers' value creation. In order to do this, we believe that considering the performance of products alone is not enough. Raising the level of "total quality that provides customer satisfaction," which includes "ease-of-use," "safety" and "serviceability," is very important. For this reason, we have established Muratec Quality Policy as our fundamental approach to quality, and we are striving to build a corporate culture that puts the highest priority on assuring safety and quality based on comprehensive quality control systems.

- Maintaining and improving of quality management system
- Improving quality
- Improving customer satisfaction and providing total solutions



Muratec Quality Policy

Muratec Quality Policy

In adherence with our Corporate Philosophy, we improve the quality, quantity and speed of sharing, accumulating and retrieving information, thereby growing into a company that can learn both from successes and failures. Based on continuous improvement through learning, we will achieve excellence in terms of quality, cost, and delivery date of our products and services, thereby continuing to give satisfaction to and win support from our customers. In order to follow through with this policy, each department will set quality goals, and monitor their achievement status in the quality policy management process.

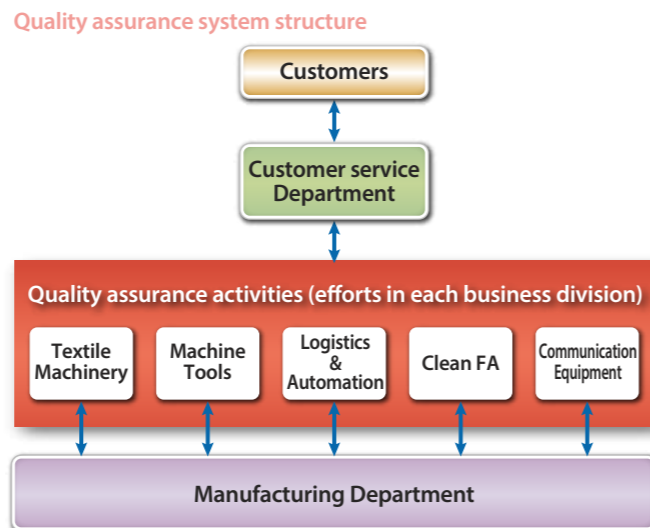
◆ Maintaining and improving of quality management system ◆

Quality assurance systems

With our president having final responsibility, all our business divisions have built quality assurance systems that are optimized for their own characteristics. In all the processes of our business activities, we are driving continuous improvement of the quality of both products and services, and we are endeavoring to increase customer satisfaction.

Quality Management Systems (ISO 9001)

Every business division and group companies, including Murata Tools and at the Shiga Factory and Oita Factory of Muratec Mechatronics (MMC) had acquired a certification under the ISO 9001 international standard for their quality management systems.



◆ Efforts to improve quality ◆

Training for "Promoting attentiveness"

At our company, we believe that "Our way of thinking become our words, our words become actions, our actions yield results." Based on this, we regularly implement training for "Promoting attentiveness" in order for us to learn the ways of thinking that we want to emphasize in the undertaking of our work. Last fiscal year, we reorganized lectures and implemented comprehensive training in an intensive course format.



Training for "Promoting attentiveness" (Inuyama Factory)

Hands-on training in our Quality Discipline Dojos

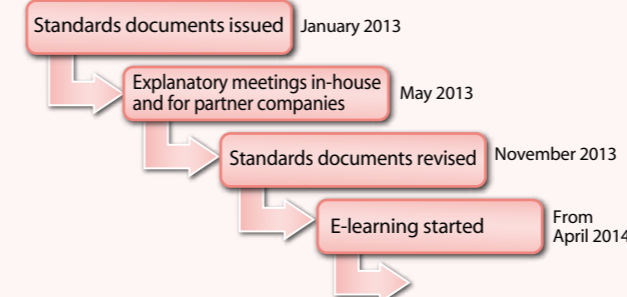
We have provided training on quality improvement at the Quality Discipline Dojo (School of Manufacturing) at each factory. This Dojo also provides the safety training for new employees and temporary employees when they are hired at our Inuyama Factory. Our new employees acquire not only the essential skills and techniques required to perform their duties in a manufacturing workplace such as bolt-tightening and other tasks, but also the ways of thinking, including cleaning up and keeping things tidy and in order.

TOPICS

Further deepening understanding of Product Creation Standards

Using standards to clarify ambiguous parts that cannot be fully expressed in drawings and improving the defect rate

For improving the quality of drawings, we are continuously striving to deepen understanding of Product Creation Standards. We had already issued and revised standards documents and held explanatory meanings for our engineering divisions and outside partner companies. In the last fiscal year, we began providing e-learning on themes such as "Design standards" and "Material fundamentals". Participants offered opinions such as "There were many things that I did not know, so I learned a lot" and "They are helpful, so I want them to be conducted regularly." Since beginning these efforts, the number of cases of drawing deficiencies caused by unclear standards has been steadily decreasing. Continuing and enhancing these efforts will also contribute to preventing the recurrence of deficiencies.



Sharing information through promoting collaboration between departments

We are making efforts in every business division to improve quality. In particular, we are putting an emphasis on coordination and information sharing among departments in each division. For example, in our Machine Tools Division, we have assigned a project manager for comprehensive oversight from order receipt to acceptance inspection and established a system that allows us to respond suitably to condition changes.

Customer support

We have established numerous service centers at home and abroad so that we can provide customer support rapidly after the delivery of our products. Our service centers conduct inspections to ensure the safety and durability of our products. Should trouble occur, our service personnel rush to customers, even if they are abroad, and work to resolve the issue.

Providing total solutions

The extent of our businesses is both broad, with five completely different business areas, and deep, covering everything from research and development of our products to maintenance. Making the most of this feature, we use an "All Muratec" approach in proposing optimal provide solutions to resolve customer problems. As a manufacturer, we offer added value to our customers by providing solutions in addition to delivering products.

TOPICS

Our cloud-based solution commended by an industry organization

Murata Systems, Ltd., which is one of our group companies, proposed "logistic solutions realized using the cloud." This idea won a Special Prize of the Japan MH Awards, which were sponsored by the Japanese Material Handling Society. This is an ideal solution for the logistics industry that enables use of the Murata Systems "Xwms" Warehouse Management Systems, through the cloud (services that allow online processing and storage of data on the Internet). By utilizing the cloud, Xwms Warehouse Management Systems can be made faster and less expensive. The flexibility that enables customers to select the functions that they truly need and the high affinity and linkage with external systems were highly evaluated, resulting in this prize.



Supply Chain Responsibility

With fair and impartial purchasing activities, we are striving together with our suppliers and vendors to provide products and services that are valuable to our customers and fulfill our corporate social responsibilities.

We need to acknowledge that we cannot do our business without the cooperation and support of multiple people operating in the individual business areas, such as the business partners. For this reason, we are fulfilling our responsibilities to society by building strong relationships of trust with our business partners based on fair and impartial purchasing activities and providing products and services that are valuable to our customers. In addition, as a foundation for global expansion, we are strengthening quality control and building supply chain structures that can respond flexibly to changes in the environment.

- Dedication to transparent and fair transactions
- Strengthening supply chains



Procurement Policy

1. Strict adherence to laws, regulations and social norms

We will conduct fair and transparent business activities by strictly adhering to laws and regulations, starting with the Subcontractor Act, as well as by adhering to social norms, including the elimination of discriminatory treatment, the prohibition of child labor and forced labor, respect for intellectual property rights and the prevention of corruption.

2. Promotion of fair and impartial transactions

We will conduct transactions that are fair, transparent, subject to free competition and reasonable. We will not accept or provide entertainments, gifts, money or any form of bribes for the purpose of achieving unreasonable profits or other benefits. We will respect healthy business partnerships that strictly abide by laws and regulations.

3. Business partner selection standards

In addition to items 1 and 2 above, we conduct comprehensive evaluations when selecting the suppliers and vendors that are the most important for the work of our company. Factors include the stability of their business foundations, the assurance of product specifications and quality that meet our needs, high levels of technological development capabilities, strict adherence to deadlines, stable supply and reasonable prices.

◆ Dedication to transparent and fair transactions ◆

Training

We are undertaking efforts to systematize the certification of factory auditors as one aspect of personal cultivation for our procurement sections. This is not just a quality protocol based on an ISO 9001 quality management system. We are also seeking to cultivate personnel who are capable of selecting business partners appropriately and providing them guidance in product creation. In fiscal 2014, we expanded the extent of training to include those who work in not only overseas procurement section but also domestic procurement section. We will organize and promote this training system into a more structured shape.

conducting on-site-audits and providing guidance, we strive to maintain and increase the quality of supplied products. In fiscal 2014, we implemented the audits at 23 companies in Japan and 9 companies abroad. Furthermore, we have been following up the gap closing process between current status and our expectation and supporting for improvement according to the results of audits.

BCP Survey of suppliers

For our main business partners related to the products of our Clean FA Division, we have conducted surveys to verify the level of business continuity planning (BCP) efforts being made in order to assure the stable supply of products, parts and materials even during times of disaster. The results of these surveys are used to identify compliance gaps, and we closely work with the suppliers to drive improvements of their BCP implementation level. We will work to strengthen the global supply chain by making the passing standards even stringent and by increasing the level of BCP efforts through collaboration with our suppliers.

◆ Strengthening supply chains ◆

Providing guidance through the on-site Audits

To earn the customers trust, we strive to assure the safety and quality of the products and services. For this reason, we visit our key suppliers and vendors. By



Caring for Our People

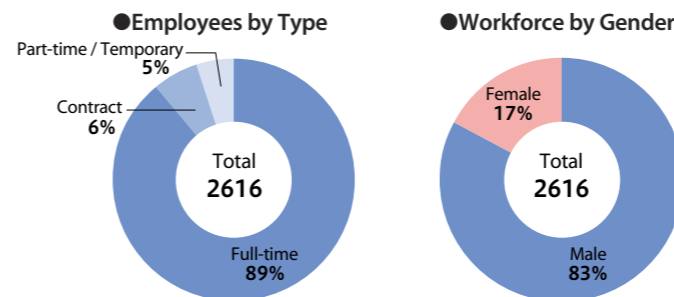
Placing an emphasis on a cooperative relationship with our employees, Muratec carries out various activities to help develop human resources, promote diverse ways of working, and ensure occupational health and safety.

Muratec recognizes that employees are the most important of all company resources. As such, we believe it essential to provide our employees with both opportunities and an environment that helps them achieve the best possible performance. With this in mind, the company is focusing on the following four areas, and by making continuous improvements within each, we aim to create a working environment in which every employee can enjoy a real sense of fulfillment.

- Career Growth and Development
- Promoting the Work-life Balance
- Diversity and Inclusion
- Employee Safety



Breakdown of Employees



Workforce Data

Unit: Person

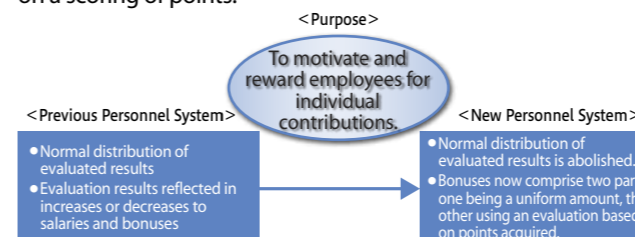
	Male	Female	Total
Full-time	2006	316	2322
Contract	151	13	164
Part-time / Temporary	27	103	130
Total	2184	432	2616

* As of 2015 March
* These numbers include employees of other companies on secondment to Muratec, but exclude Muratec's own employees on loan to other companies. It also excludes directors, executive officers, dispatched temporary workers, and those hired directly by Muratec's overseas operations.

◆ Career Growth and Development ◆

A personnel system that considers career growth and development

Muratec conducts its personnel performance evaluations in accordance with standards matched to the roles and responsibilities within different job classifications. Moreover, we have implemented a 'Management By Objectives' (MBO) system. Under this system, each employee sets his or her performance targets annually and, then reviews the progress being made in consultation with a supervisor through interviews held at the beginning, mid-term, and end of each fiscal year. The MBO system is designed to translate individual employee growth into overall organizational performance improvement. In April 2015, we began to implement our new personnel system. So as to better motivate and reward employees for their individual contribution, we moved away from a conventional performance evaluation method and adopted one based more on a scoring of points.



Feedback interviews to support growth

Muratec now makes it a point that each supervisor will hold regular feedback interviews with his or her subordinates. These serve as valuable opportunities to discuss the individual's performance. During the interview, the supervisor talks about those aspects of the interviewee's performance that are going well and what kind of improvement may be necessary in others. The interviewee uses this same opportunity to make any requests he or she might have. Through this two-way process, both supervisor and subordinates share their goals and motivate each other to develop further. Post-interview, the employee gives a score to how satisfied they were with the content of the interview and if it was conducted in a comfortable and relaxing atmosphere.

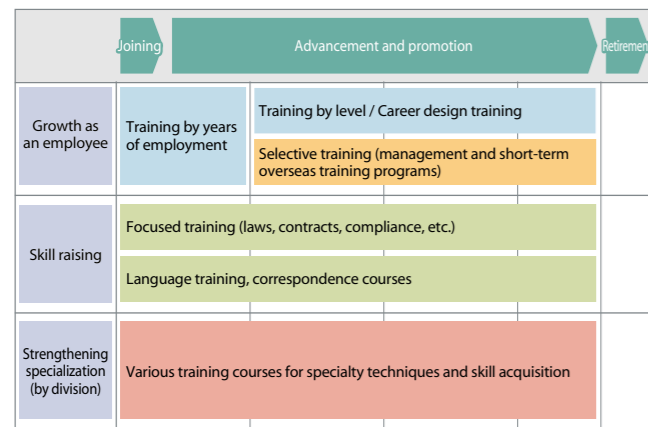
< Implementation of Feedback Interviews by supervisor >
94.5%
* Muratec Group (in Japan)

< Average Satisfaction Score by Subordinates >
4.06 points
* Out of 5 points

Developing Human Resources that Support Muratec Growth

To maximize the value of our most important business asset, namely, our human resources, Muratec has put in place various training and educational systems. Specifically, we provide programs for different levels in the organizational hierarchy according to an individual's years of service and advancement achieved. We also provide selective training to foster next-generation leaders. We encourage participants to implement what they have learned from their training into their workplaces, so that they will become the human resource assets that will enable Muratec's growth in the future. Since fiscal 2012, we have continuously implemented a Short-term Overseas Training Program. During fiscal 2014, 11 young employees participated in this program at our group company in the United States.

Human resource development systems



TOPICS

GTD Program

- For development of global human resources with practical skills-

Aiming to cultivate truly global personnel resources, since June 2013, Muratec's Clean FA Division and L&A Division have been running a one-year English language training program called the 'Global Talent Development' Program (GTD). The training includes a session of presentations during which participants deliver a speech in English in front of their instructors and division heads. Those judged to be the "Best Speakers" are recognized with a feedback speech (also in English) from their head of division, as well as other words of praise and a commemorative gift.



Participants in the 2nd GTD Program

Promoting the Work-Life Balance

Muratec Action Plan for promoting work-life balance

In accordance with Japan's 'Next Generation Nurturing Support Measures Promotion Law' Muratec has worked out an action plan (Stage 3: FY 2013~2016), thereby creating an environment in which employees can better balance their work and family lives. Prior to this 'Next-Generation' law being introduced from April 2015, we revised our action plan in February 2015 to re-create our work environments so that child-rearing will become easier. This is intended not only for female employees but also for male employees.

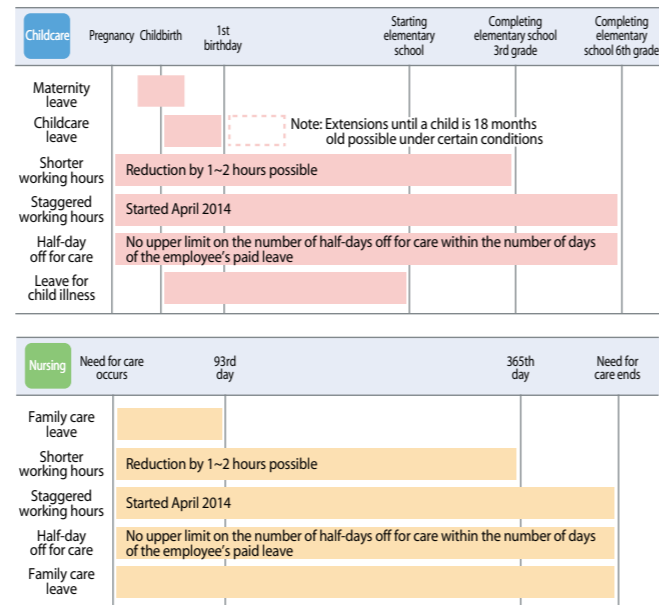
<Action Plan (Stage 3)>

- Goal 1: Encourage fathers to take parental leave when they have children
- Goal 2: Implement measures necessary for ensuring better employee work-life balance
- Goal 3: Implement measures that encourage employees to take annual paid holidays

Support initiatives helping employees achieve a better work-life balance

In April 2014, Muratec introduced a staggered working hours program to increase working-style choices, as part of efforts to help employees achieve a better work-life balance. Employees can apply for this program even for a period as short as one week. So far, as well as female employees, four male employees have also started using the program for childcare.

Overview of support initiatives helping employees achieve a better work-life balance



Utilization rates of systems supporting the work and family life balance.

System	Number of users (individuals)			
	Fiscal 2012	Fiscal 2013	Fiscal 2014	
Childcare	Childcare leave	45	42	41
	Shorter working hours	60	71	73
	Staggered working hours	Started April 2014		8
Nursing	Family care leave	0	0	1
	Shorter working hours	0	1	0
	Staggered working hours	Started April 2014		1
—	Half-days off for care (child and family care)	80	77	75

VOICE

Comments by one user of the staggered working hours program

"I have been using the staggered working hours program since April 2014 when my second daughter entered the fourth grade. Thanks to the program, I can continue with activities such as supervising my neighborhood children as they go to school.



Corporate Administration Department, Finance & Accounting
Chika Imamura

Combining this program with other work-life balance systems, I am enjoying a good work-life balance. Although my days are busy, I feel a strong sense of fulfillment in my family life which I believe is helping towards my own growth in the company as well."

Working-hours Management

Both Muratec's workforce and management are working together to reduce long working hours, and seeking to ensure that employees remain in good health and within an environment where they can work with peace of mind. In order to make the new working hours both understandable and easy to manage, we have introduced a "daily reporting for work management system." We now also hold an annual meeting to enhance labor management awareness among supervisors, while helping our people have a more informed understanding of the working hours system and what it means.

Last fiscal year, we took additional measures to ensure reasonable working hours such as holding committee meetings to help improve overtime problems and having the heads of those departments with unusually high over-time levels create a report to propose solutions.

TOPICS

The Muratec Festival takes place

A company-wide sports meeting to revitalize all our people

On a fine day in October 2014 and under a clear autumn sky, the Muratec Festival was held at our Kotari athletic ground (Nagaokakyo, Kyoto). This company-wide sports event is held every year, alternately, in Kyoto and Inuyama (Aichi). In addition to various competitions, including a human centipede race and team relay races, we welcomed a professional football player from the Kyoto Sanga F.C. team to run a workshop for parents and children. Employees together with their families participated in this enormously exciting event.



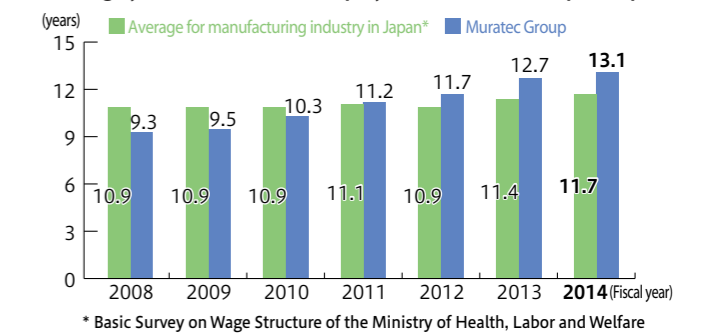
Muratec Festival (Kyoto)

Diversity and Inclusion

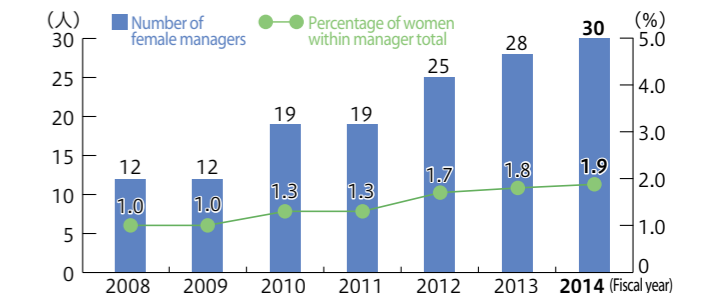
Promoting the active participation of women

We are increasing opportunities for female employees by assigning them to active roles in our sales and engineering teams - types of work that have conventionally had few female employees. Moreover, they have opportunities to discuss their careers and expand their horizons by participating in an annual forum for women working at companies in the Kansai region. Through such steps, Muratec is promoting the active participation of our female employees. Ever since we began to pursue diversity measures more vigorously, the average number of continuous employment years for female employees has risen and, likewise, the number of female managers (assistant managerial positions and upwards) have increased annually.

Average years of continuous employment Muratec Group (in Japan)



Number of female managers (Muratec Group)



Passing on the skills and experience of older employees

At Muratec, employees are mandated to retire at the age of 60. In 2001, however, we introduced a rehiring system to allow those employees aged 60 and above, who wish to continue working, to extend their employment until they turn 65. The older employees have acquired and accumulated highly professional skill-sets, experience, and know-how during their careers, which we value as "intangible assets." Muratec therefore provides a career design training program targeted at older employees which aims to pass down all such intangible assets to the younger generations and thereby maintain our competitiveness as a company.



Career engineering training (Komaki, Aichi)

◆ Employee Safety ◆

Our approach to occupational safety and health

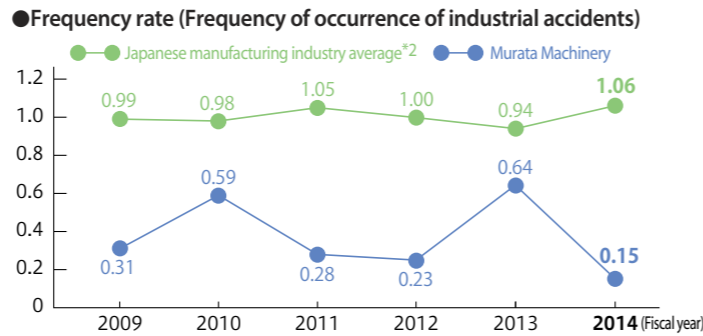
In August 2014, we formulated a "Muratec Occupational Safety and Health Philosophy and Policy." Underlying this move was the conviction that each office of Muratec should conduct its activities in compliance with the company's common philosophy and policy.

Last fiscal year, we established an All-Muratec Safety and Health Committee at our Head Office to serve at a more senior level than our conventional safety and health teams handling office-level occupational safety and health matters. As specific steps, the new company-wide committee has delivered various occupational safety and health training programs (including, mental health, safe handling of hazardous chemical substances and appropriate use of PPE). In the years ahead, under Head Office leadership, we will more accurately screen all offices regarding work-related accidents and implementation of regular health checks. In doing so we will better promote company-wide occupational safety and health measures and continuously improve our safety and health performance.

●Number of occupational injuries*1 Unit: Number of injuries

Injuries category (LTI/ NLTi)	2012	2013	2014
Lost-time injuries (LTI)	3	2	1
Non lost-time injuries (NLTi)	10	10	9
Total	13	12	10

*1 Numbers include all employees at Head Office, Inuyama and Ise factories, and all Muratec group companies in Japan (which includes temporary dispatched workers, but not employees at consigned companies or subcontractors).



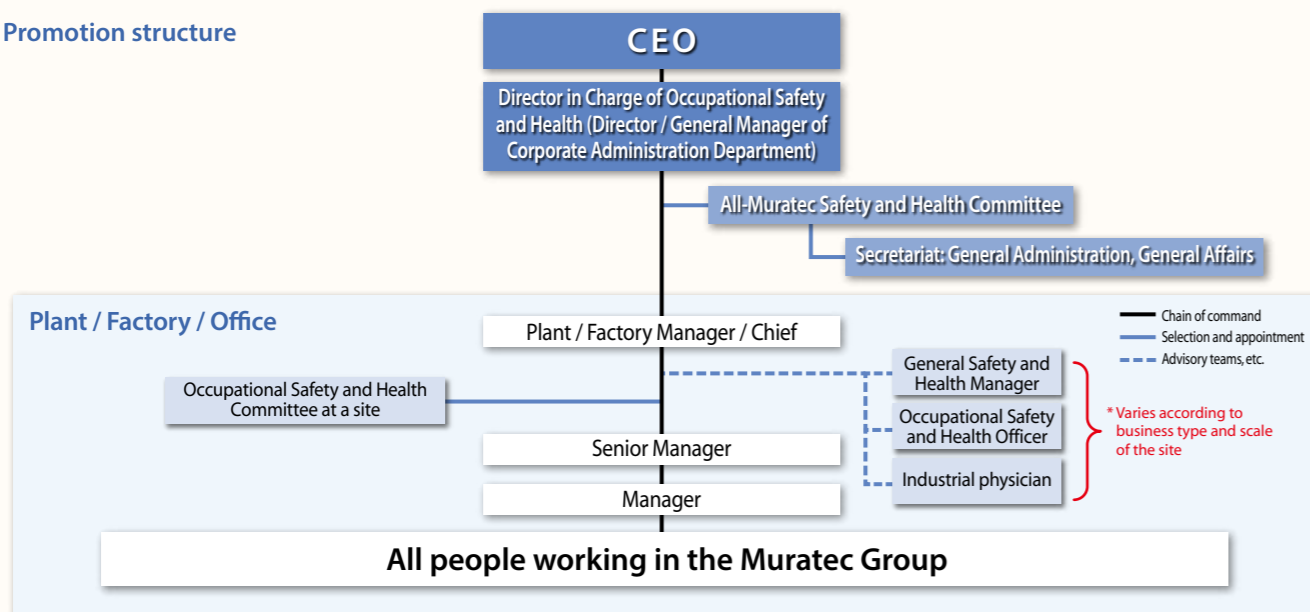
*2 Survey on industrial accidents from Japan's Ministry of Health, Labor and Welfare

Muratec Occupational Safety and Health Philosophy

We place top priority on the safety and health of our employees and will work continuously to improve our safety and health activities for better outcomes. In so doing, we will create safe and comfortable workplaces, maintain the physical and mental health of our people, and help each one to pursue an improved quality of life.

Occupational Safety and Health Promotion framework

Promotion structure



Towards preventing all occupational injuries

In fiscal 2014 there were 10 occupational injuries (1 LTI and 9 NLTIs). Lost-time injuries have decreased year by year over the past three years.

To prevent all occupational injuries, the L/C Manufacturing Department has been conducting EHS (Environmental Health and Safety) Daily Audits every day since June 2013.

●Number of occupational injuries by division Unit: Number of occupational injuries

Division name	2014
Machine Tools Division, Manufacturing Department (including 1 LTI)	3
Manufacturing Department, Machining Department	2
Muratec CCS (Group company and after-sales service specialist)	2
Electrical room / Environmental management room	2
L&A Division / Clean FA Division, Manufacturing Department	1
Total	10

●Number of occupational injuries by type of injury Unit: Number of occupational injuries

Type of injury*3	2014
Hit by propelled or falling object (incl. 1 LTI)	4
Cuts or grazes	2
Falls	2
Caught / trapped by object	1
Others (e.g. heat stroke)	1
Total	10

*3 Injury types are based on classifications used for occupational injury statistics of the Ministry of Health, Labor and Welfare.

For improved employee health management

In order to maintain and improve employees' health, Muratec has held a variety of health-related seminars. In fiscal 2014 we held a mental well-being seminar for employees of the L&A and Clean FA Divisions at the Inuyama and Ise factories. Moreover, Head Office has also provided "mental well-being awareness" seminars for which a senior industrial counselor was invited as lecturer. Our personal health being one of the most important assets we have, Muratec will continue to hold various seminars addressing employee health needs and help to maintain and improve the health of all.



"Mental well-being awareness" seminar (Head Office)

Safe handling of hazardous chemical substances including appropriate use of PPE (personal protective equipment)

Last fiscal year, aiming for safe handling of hazardous chemical substances including appropriate use of PPE, the L/C Manufacturing Department has held semi-annual e-learning sessions. The respective themes were; "Safe handling of hazardous chemical substances" and "Appropriate use of PPE."

Making our offices safer, healthier and more productive than ever!

5S* Daily audit

In November 2014, Muratec Head Office started the "5S Daily Audit". The audit aims to improve office safety and hygiene, and help reduce costs.

Inspired by the results of measures taken by the Ise factory, Head Office initiated this activity. Each auditor makes the rounds in his or her area, examines each point listed on a check sheet, and scores the item accordingly.

Points for checking include potential hazards around the office, for example, 'passageway objects that might cause someone to trip' or 'insufficient huddle space under an employee's desk in the event of a disaster'. There are also checkpoints for workplace hygiene, such as 'dust accumulated on surfaces'. In addition, some checks are aimed at reducing costs, such as 'surplus stationery not needed around the office'. By carrying out the daily audit and sending the score results to managers in the audit area every day, we can promptly take measures to rectify any problems identified. We also communicate an overview and audit scores to senior managers every week. Based on their feedback, we are making organizational efforts to promote and expand this initiative.

*5S: 'Seiri' (sort), 'Seiton' (set in order), 'Seiso' (shine), 'Seiketsu' (sanitize), 'Shitsuke' (sustain)



Before implementation of 5S Daily Audit (Head Office) | After implementation of 5S Daily Audit (Head Office)

VOICE

The 5S helps create a more comfortable working environment



IT Solution Headquarters Information System Department Tatsuhiro Komatsu

Just recently, our office has been subject to its first 5S Daily Audit. The audit has enabled us to become more aware of 'waste around the office' and the 'importance of keeping the office clean and tidy' - points that may be overlooked when we are absorbed in our work. We have worked together to improve the problem areas identified by the audit and successfully created an overall tidier and cleaner workplace. What is more, we now appreciate the importance of keeping things clean and tidy all the time.

As a responsible corporate citizen, Muratec will work hand in hand with our local community neighbors to be actively involved in local affairs and make our contribution to society.

Inspiring the Next Generation

Muratec is committed to applying its technologies and the talents of employees to improve lives and inspire the next generation

Manufacturing starts with human development

- Communicating the essence of work through hands-on training at companies -

Muratec factories support various next-generation development efforts through manufacturing. Every year, our textile-machinery makers at Kaga Factory (in Kaga City, Ishikawa Prefecture) cooperate with Ishikawa Prefecture's long-term work-experience based company training program (dual system). Last year in May, we received two students from Ishikawa Prefectural Komatsu Technical High School and then, in November, three students from Ishikawa Prefectural Daishoji Vocational High School.

The Kaga Factory program comprises practical training that allows the student to experience manufacturing processes firsthand, as well as classroom-based learning on topics such as attitudes to work, views about working, morale, and other fundamentals that come with being a mature member of society.



Timeline and Objectives in Practical Training

Day 1: Joint-learning session

The local companies hosting practical training experiences and all the participating trainees came together for an introductory joint-learning session. Lectures were given by employees from the hosting companies on topics such as the attitude needed for working in manufacturing. Our Muratec representative contributed to the session with a morale-training lecture (*).

* Morale-training: Sessions that aim to inspire and motivate trainees



Training Period (Day 2 ~ Day 9)

Hands-on training started at each hosting company from the second day onwards. The training at Muratec's Kaga Factory emphasized not only actual work experience, but also work attitude. Specifically, we taught trainees the importance of working with colleagues, the checks and systems that prevent defective products being made (or shipped), and about appreciation for the customer. We also taught the importance of always working with a sense of purpose and continually seeking ways to make improvements.



Final training day: Presentation Session

On the final day of training, the trainees made presentations. Students from Komatsu Technical High School focused on the intellectual and attitudinal aspects of their training experience. In particular, they shared what they had learned about basic safety measures at the 'Anzen Dojo' (safety training session). They also talked about the motivation boosting of the morale training session, the importance of sharing ideas on quality control and about making step-by-step improvements in the workplace. Students from Daishoji Vocational High School used their presentation to share their individual goals and challenges. Their instructors and Muratec's representatives provided them with helpful encouragement towards their further self-development.

Scenes from the hands-on training



Morale training



Hands-on training given by employees



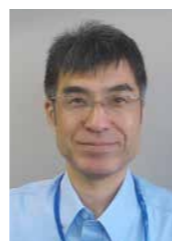
Products designed by trainees

VOICE

Helping Trainees Grow through "Trilateral Cooperation" (between teachers, parents, and the company)

During the hands-on training, students were given an assignment to manufacture a product designed by themselves which they could later take home. This exercise teaches that, by putting a great deal of time and effort into making something the trainee really wants to have, he or she gains enthusiasm for making even better and more reliable products. The assignment also demonstrates what it takes to manufacture a product from the customer viewpoint. Teachers and families are able to observe and encourage the trainees during their hands-on training, an element intended to provide each individual with extra and personalized motivation. To achieve this Muratec places a strong emphasis on communication between all parties involved.

For example, in addition to training instructors being present, the students' school homeroom teachers are also invited to attend and observe the final day presentations. In the case of hands-on training for junior high school students, we show the student's diary to his or her parents and receive feedback comments on a daily basis. Ultimately, Muratec hopes that our hands-on training program will help support "development of next-generation human resources through our business," and thereby enhance the company image and keep public confidence.



Kaga Factory
Toshihiko Oiwa

Community Involvement

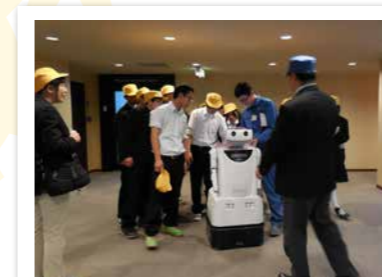
Holding 'karakuri' (mechanical doll) making classes for local elementary school students

As one effort to support the development of the next generation, Muratec has been participating every year in the Kyoto Children's Product Creation and Workshop Study Project, as held by Kyoto City Board of Education since February 2010.

The workshop theme was "Let's make karakuri (mechanical dolls)." With Muratec employees serving as instructors, the children were allowed to handle and investigate mechanisms designed to thrill children. In doing so, our employees introduced children to the mechanics behind how things work and shared their joy of making things with them.



A scene from the karakuri-making class



Introduction to our robots

Company Tours that Welcome School-trip Students

Muratec Head Office welcomed a number of school-trip students from Konan Junior High School in Nagaoka City (Niigata Prefecture), in response to their request to see robotics development in action. With employees from our Textile Machinery Division acting as guides and lecturers, we showed them our products and the laboratories where our R&D Department teams work every day to develop new robotics technologies.

Conducting a hands-on manufacturing internship program geared to technical college students

Every year, Muratec Head Office offers a "Hands-on Manufacturing Internship Program" aimed at students from technical colleges all around Japan. As part of this practical training, the interns are assigned to make a motor-driven device. Using trial and error, they proceed through each step of the manufacturing process, from planning and designing, to final assembly. Types of feedback we have received from them include the following comment; "It was more than just making products, we learned the importance of teamwork, communication and many other things."



Presentation session on the last day of the internship program

Study Tours for Textile Manufacturing Graduates (from three universities)

As part of the "Textile and Fiber Engineering Course" offered jointly by Shinshu University, the University of Fukui, and the Kyoto Institute of Technology, graduates from each institution visited Muratec Head Office to study our textile machinery. Company employees enjoyed an in-depth exchange with these fresh young minds during the study tour. They proudly introduced the Muratec machinery on display in the showroom and answered their many questions.



Introducing textile machinery

Supporting Overseas Study by Young Researchers



The Murata Overseas Scholarship Foundation is a foreign studies support system established to commemorate the great works of our founder, the late Teisuke Murata, and to respect his will. "I want to give many opportunities to students who love learning to spread their wings abroad". After completing their overseas studies, students sent abroad by this foundation have become active in a wide range of roles in academia and industry within Japan and in other countries, and they are contributing to the advancement of Japanese science.

Cultural and Educational Support and Sports Promotion Efforts through Communication

We value our dialogue with the people in our local community. We continue to support a variety of efforts to this end.

Sponsoring the Empress's Cup Inter-Prefectural Women's Ekiden



Muratec wishes to help foster a healthy competitive spirit and sense of sportsmanship in today's young people who will one day take responsibility for our society in the future. So we are supporting sporting activities rooted in local communities. One representative example of this type of activity is the Empress's Cup Inter-Prefectural Women's Ekiden, and we have been the sole sponsor since the 7th competition in 1989.

Sponsoring Kyoto Sanga F.C.



Our company supports Kyoto Sanga F.C., the J.League soccer team near our Head Office, as an official sponsor.

Providing a Site for the Inuyama Criterium Road Race



Our Inuyama Factory played host to the Inuyama Criterium* (Bicycle) Road Race. This cycling road race is sponsored by the Aichi Cycling Federation, and Muratec has provided the 2.2km looped course every year by offering the roads within our Inuyama Factory property.

* A criterium is a cycling road race held on a short course.

Corporate Governance

At Murata Machinery we are comprehensively building our corporate governance so that we may remain as a company that is trusted and valued by society. Likewise, we are building internal controls and striving to improve transparency and effectiveness in our management. Moreover, through our compliance-focused policies, we will endeavor to justify society's confidence in us, and fulfill the expectations of every stakeholder.

◆ Corporate Governance ◆

Basic policy

Ultimately we are striving to realize "the happiness of each employee" and "an affluent society" to ensure we are always a company that enjoys the full trust of society at large. To that end, we are working to always conduct our business activities based on high levels of fairness and transparency. We can achieve this through comprehensive management policies and auditing functions, as performed by our Board of Directors, auditors and others, and by establishing internal controls that emphasize compliance.

Management /supervision system

Our Board of Directors meets once every three months as a rule and at other times as required. The Board is responsible for discussing and making decisions about fundamental management policies and other important issues as well as overseeing the status of business operations. We have also introduced an Executive Officers system since June, 2011 and separated it into those responsible for corporate decision-making and others for operational execution. This allows a structure better suited to swift corporate decision-making.

◆ Internal Control ◆

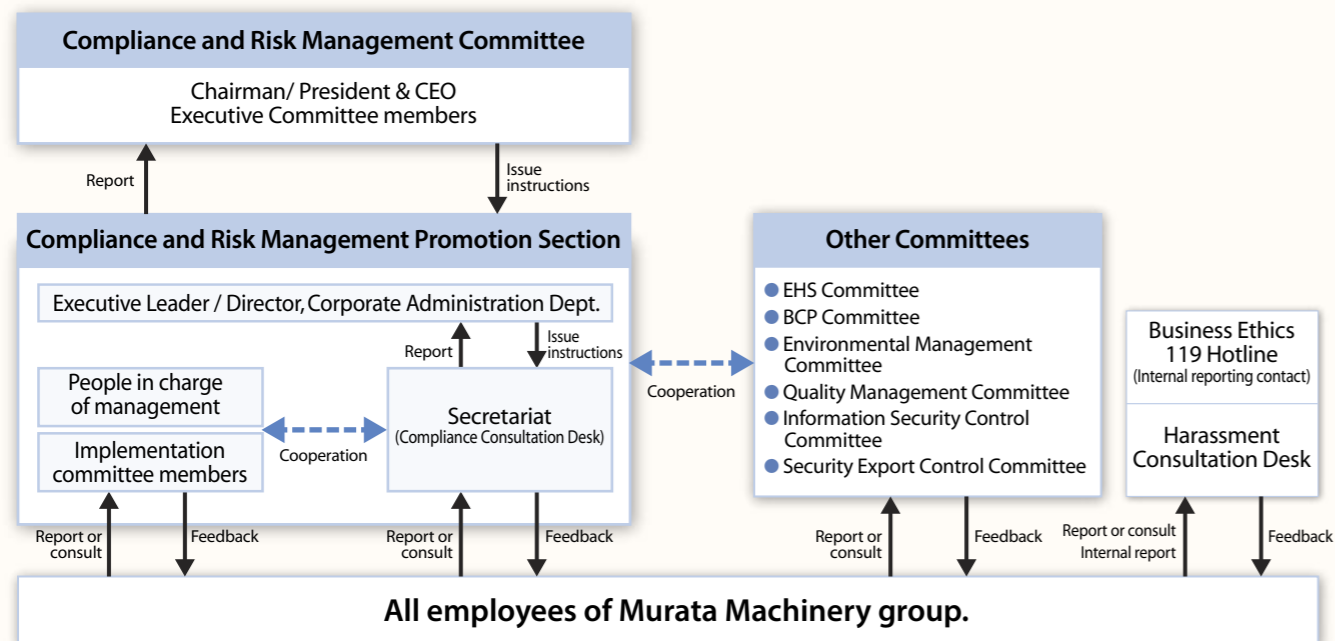
Basic policy

In accordance with the Companies Act, we are arranging our internal organization to be more focused on compliance and risk management issues. In practice, we have set up a 'Compliance and Risk Management Committee System' within our management structure and are now evaluating the system's effectiveness.

Compliance and Risk Management System

We established a 'Compliance and Risk Management Committee' to be the organization for promoting implementation of internal controls for the entire Muratec group since April 2007. We have prepared a compliance promotion system that takes into consideration Muratec group as a whole in order to raise compliance awareness among employees. We have also founded Technical Committees to assess the risks which, as a company, we need to address. Furthermore, we have in-house consultation and reporting desks which all employees at Murata Machinery group can contact in confidence.

Promotion Structure



◆ Promoting Compliance and Risk Management Activities ◆

Muratec Code of Conduct

In 2003, we created The Muratec Code of Conduct to enable all group employees to carry out their duties with a common set of values and standards of conduct. Furthermore, to explain how our code of conduct should be implemented, we have issued the 'Muratec Code of Conduct Implementation Guidance'. Within this guide, we have made our position clear regarding "Respect for ethics and human rights", "Prohibition of discriminatory practices and corrupt behavior" and "Prohibition of forced labor and child labor".

Compliance and Ethics Training

At Murata Machinery group, we are aiming to create awareness about compliance issues so that every employee has a deep and well-established compliance mind-set. As such we continuously carry out compliance-related education programs.

List of Education and Training Activities in 2014

- 2014, July: e-learning on Information Security (all employees)
- 2014, Aug: BCP Orientation (Head Office)
- 2014, Aug: e-learning on Harassment Prevention (all employees)
- 2014, Oct: CSR Seminar (Kaga, Shiga, Oita)
- 2015, Jan: e-learning on BCP (Inuyama, Ise)
- 2015, Feb: Business Risk Seminar (Head Office, Inuyama, Tokyo)



CSR Seminar (Kaga Factory)



Business Risk Seminar (Head Office)

Respect for Ethics and Human Rights

In today's modern global society, the issues of human rights and ethics have assumed particular importance. Within Muratec group, respect for human rights is included within the wording of our Code of Conduct. The importance of this is emphasized in the training and education programs we provide to new employees and new managers. In 2014, we ran an 'e-learning' program on company employee human rights which addressed the prevention of work-place harassment.

<Participation rate for the e-learning on Harassment Prevention>

96%

Muratec Group in Japan (incl. temporary staff)

Information Security Countermeasures

Murata Machinery, led by our 'Information Security Countermeasures Committee' and based on our information security policy, has been taking measures to prevent leakage of company privileged information. In 2014, we ran an e-learning program for the entire company on the theme of information security.

We have countermeasures in place that match the features of each division. In our Clean FA Division, for example, we provide training about appropriately ensures protection of confidential information. Beyond education we have also added countermeasures to our hardware. For example, to prevent the careless discarding of paper printouts, security-protected printers* are now being used.

*Security printers require an IC card that identifies the user at the time of printing.

<Participation rate for the e-learning on Information Security>

100%

Muratec Group in Japan (incl. temporary staff).

Introducing Business Continuity Plans (BCP) to all factories and offices

Muratec aims to be organizationally sustainable even in times of disaster.

We have continually updated our Business Continuity Plans (BCP) at Inuyama and Ise factories. Instructions and procedures on BCP are in place, learning points have been explained and understood through training, effectivity has been assessed from initial response drills and recovery training, and reports and reviews are provided to management. This whole process has been conducted repeatedly to drive continuous improvement. This fiscal year we have not only continued enhancement of BCP activities but have started stockpiling food and blanket at the time of disaster. Moreover, we widened the area of activity beyond Inuyama and Ise, BCP has now been introduced at Head Office with some initial training provided to all employees and action to raise greater awareness of BCP. Furthermore, after examining the various types of risk that Head Office might incur, the following have been designated as particular risk threats; earthquake, fire, typhoon, flooding, or pandemic. Provisions for countermeasures against these



Briefings for BCP (Head Office)

risks have been prepared accordingly. Also, in order to protect employee safety at all company locations, a system to verify employees' safety in emergencies has been introduced. The system is enabled to automatically send a safety confirmation e-mail to all employees when an earthquake occurs. The aim is to develop a system that operates even during the night or on holiday. We intend to expand the scope of such activities and improve the content of our systems further to strengthen our BCP activities for all company locations, including group companies nation-wide.



A drill in the Inuyama Factory simulating a large earthquake (Inuyama)



Evacuation drill (Inuyama)



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